

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: January 16, 2020

TEAM MANAGER: Joe Koen

<b>APPLICANT</b>	Shady Grove Special Utility District
<b>TYPE OF ASSISTANCE</b>	\$880,000 Financing
<b>LEGAL PLEDGE</b>	First Lien Net Revenues of the Utility System

### STAFF RECOMMENDATION

☒ Approve ☐ No Action

### ACTION REQUESTED

Approve by resolution a request from the Shady Grove Special Utility District (Hunt County) for \$880,000 in financing from the Drinking Water State Revolving Fund for the planning, design, and construction of a water storage improvements project.

### PROJECT

CR 4108 Elevated Storage Tank  
Project Number 62857

### BACKGROUND

Shady Grove Special Utility District (District) is approximately 7 miles east of the City of Greenville at the intersection of highways 30 and 124. The District provides water service to a population of approximately 1,473.

The District purchases treated water from the City of Greenville. The purchased water enters the distribution system from two metered points on the western edge of the system. The distribution system is split into two separate pressure zones. The western zone is supplied by direct pressure from the City of Greenville. A ground storage tank, booster pumps and a pressure tank provide boosted pressure to the eastern portion of the system.

The District is proposing to construct a 100,000-gallon elevated storage tank to increase storage capacity and provide elevated storage in the system. The new elevated storage tank will be supplied by the existing ground tank and booster pumps and will functionally replace the existing pressure tank.

### FINANCIAL

#### Key Issues

The District is requesting to use bond proceeds to fully fund the bond reserve fund.

**COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE JANUARY 31, 2021.**

### Pledge and Repayment

The District is pledging a first lien on the net revenues of the utility system for repayment of the proposed loan. The District's current average monthly water rate is \$67.00. According to staff's analysis, this provides the District with a coverage ratio of 2.77 times the current and proposed debt service in the first year of principal repayment. Based on existing conditions, this rate is sufficient to meet current and proposed debt service requirements.

### Cost Savings

Based on a 20-year maturity and current interest rates, the District could save approximately \$114,436 over the life of the financing.

### Internal Risk Score

Staff assigns a 2B to the District, and the proposed project to be funded by the Texas Water Development Board. This means that the District's payment capacity is adequate.

The results of the District's financial sustainability indicators are mostly strong. The more heavily weighted risk score indicators show the District's revenues available for debt service provide a high coverage ratio, representing 2.77 times the current and proposed debt service in the first year of principal repayment. In addition, the District's cash balance ratio has increased 17 percent over the last five years. The District's level of reinvestment in the assets of the utility's infrastructure is relatively adequate with an asset condition ratio of 12 years. An asset condition ratio of 12 to 24 years is considered typical.

The District's socioeconomic indicators are below the state overall. The District's population has increased at an average annual rate of 0.68 percent since 2010, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. The District's median household income is \$49,319, which is 86 percent of the median for the state overall. The average, unadjusted, unemployment rate for Hunt County was 3.3 percent in October 2019, and 3.3 percent for the state overall.

The household cost factor compares the annual cost of water services, including any anticipated rate increases required to pay the proposed debt, to the median household income for the service area. The District's household cost factor is 1.63 percent. The industry benchmark for the household cost factor is 1 percent for water service.

The District currently has no other outstanding debt, and the proposed debt will be completely supported by utility system revenues. The utility system self-supporting debt compared to operating revenues, including the proposed loan, is strong at 1.82. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. The system maintains strong reserves with unrestricted cash and short-term investments of approximately 316 days of the operating expenses of the utility system. Any amount between 30 and 150 days is an adequate level of liquidity.

The financial management of the utility system is strong. The District has \$326,909 in working capital, indicating that the District maintains operational efficiency with regards to

short term finances. The mix of strong financial management and socioeconomic indicators, that are slightly lower than the State, further support the assigned risk score of 2B.

**LEGAL**

Key Issues

None.

Conditions

Standard Drinking Water State Revolving Fund, tax-exempt, first lien net revenue conditions and further conditioned as follows:

- Conversion and conveyance

Attachments: 1. Project Data Summary  
2. Debt Service Schedule  
3. Engineering/Environmental Review  
4. Project Budget  
5. Resolution (20- )  
6. Water Conservation Review  
7. Location Map

**Project Data Summary**

<b>Responsible Authority</b>	Shady Grove Special Utility District
<b>Program</b>	Drinking Water State Revolving Fund
<b>Commitment Code</b>	L1001049
<b>Project Number</b>	62857
<b>Intended Use Plan Year</b>	2019
<b>Type of Pledge</b>	2- Revenue
<b>Revenue Pledge Level</b>	First
<b>Legal Description</b>	\$880,000 Shady Grove Special Utility District Improvement Revenue Bonds, Series 2020
<b>Tax-exempt or Taxable</b>	Tax-exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow
<b>Population</b>	1,473
<b>Rural</b>	No
<b>Water Connections</b>	496
<b>Wastewater Connections</b>	0
<b>Qualifies as Disadvantaged</b>	No
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Financial Managerial &amp; Technical Complete</b>	No
<b>Funding Phase Code</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2B
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

Team Manager	Joe Koen
Financial Analyst	Lina Linehan
Engineering Reviewer	John Muras
Environmental Reviewer	Rachel Foster
Attorney	Ashley Nwonuma

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Shady Grove Special Utility District

**\$880,000 Shady Grove Special Utility District, Improvement Revenues Bonds, Proposed Series 2020**

<b>Dated Date:</b>	<b>4/1/2020</b>	<b>Source:</b>	<b>DWSRF</b>
<b>Delivery Date:</b>	<b>4/1/2020</b>	<b>Rate:</b>	<b>1.11%</b>
<b>First Interest:</b>	<b>10/1/2020</b>	<b>IUP Year:</b>	<b>2019</b>
<b>First Principal:</b>	<b>4/1/2021</b>	<b>Case:</b>	<b>Revenue</b>
<b>Last Principal:</b>	<b>4/1/2040</b>	<b>Admin.Fee:</b>	<b>\$18,522</b>
<b>Fiscal Year End:</b>	<b>12/31</b>	<b>Admin. Fee Payment Date:</b>	<b>4/1/2020</b>
<b>Required Coverage:</b>	<b>1.0</b>		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$880,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2020	\$137,203	\$0	\$0	-	\$4,884	\$4,884	\$4,884	28.09
2021	137,203	-	40,000	1.11%	9,546	49,546	49,546	2.77
2022	137,203	-	40,000	1.11%	9,102	49,102	49,102	2.79
2023	137,203	-	40,000	1.11%	8,658	48,658	48,658	2.82
2024	137,203	-	40,000	1.11%	8,214	48,214	48,214	2.85
2025	137,203	-	40,000	1.11%	7,770	47,770	47,770	2.87
2026	137,203	-	40,000	1.11%	7,326	47,326	47,326	2.90
2027	137,203	-	40,000	1.11%	6,882	46,882	46,882	2.93
2028	137,203	-	40,000	1.11%	6,438	46,438	46,438	2.95
2029	137,203	-	45,000	1.11%	5,966	50,966	50,966	2.69
2030	137,203	-	45,000	1.11%	5,467	50,467	50,467	2.72
2031	137,203	-	45,000	1.11%	4,967	49,967	49,967	2.75
2032	137,203	-	45,000	1.11%	4,468	49,468	49,468	2.77
2033	137,203	-	45,000	1.11%	3,968	48,968	48,968	2.80
2034	137,203	-	45,000	1.11%	3,469	48,469	48,469	2.83
2035	137,203	-	45,000	1.11%	2,969	47,969	47,969	2.86
2036	137,203	-	45,000	1.11%	2,470	47,470	47,470	2.89
2037	137,203	-	50,000	1.11%	1,943	51,943	51,943	2.64
2038	137,203	-	50,000	1.11%	1,388	51,388	51,388	2.67
2039	137,203	-	50,000	1.11%	833	50,833	50,833	2.70
2040	137,203	-	50,000	1.11%	278	50,278	50,278	2.73
		\$0	\$880,000		\$107,004	\$987,004	\$987,004	

<b>AVERAGE (MATURITY) LIFE</b>	<b>10.95 YEARS</b>
<b>NET INTEREST RATE</b>	<b>1.110%</b>
<b>COST SAVINGS</b>	<b>\$114,436</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$47,000</b>

*Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.*

**Shady Grove SUD  
62857 CR 4108 Elevated Storage Tank  
Engineering and Environmental Review**

**Engineering:**Key Issues:

None.

Project Need/Description

Project Need: The Shady Grove Special Utility District (District) needs to construct additional storage capacity to enhance system operation and reliability.

Project Description: The District is proposing to construct a new 100,000-gallon elevated storage tank to increase storage capacity and provide elevated storage to the water system. The elevated storage tank will be supplied by the existing ground tank and booster pumps and will functionally replace the existing pressure tank.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	4/1/2020
Design Phase Complete	5/1/2020
Engineering Feasibility Report Completion (End of Planning Phase)	5/1/2020
Start of Construction	6/1/2020
Construction Completion	6/1/2021

**Environmental Section:**Key Issues:

None.

Environmental Summary:

Consistent with the requirements of 31 Texas Administrative Code § 371.41 funding for design and construction of specific project elements will not be released until an environmental review has been completed and a favorable environmental determination has been issued.

**Project Budget Summary**  
**Shady Grove SUD**  
**62857 - CR 4108 Elevated Storage**  
**Tank**

Budget Items	TWDB Funds	Total
<b>Construction</b>		
Construction	\$580,000.00	\$580,000.00
<b>Subtotal for Construction</b>	<b>\$580,000.00</b>	<b>\$580,000.00</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$30,000.00	\$30,000.00
Design	\$23,800.00	\$23,800.00
Planning	\$10,000.00	\$10,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$63,800.00</b>	<b>\$63,800.00</b>
<b>Special Services</b>		
Application	\$10,000.00	\$10,000.00
Environmental	\$5,000.00	\$5,000.00
Geotechnical	\$5,500.00	\$5,500.00
Inspection	\$17,400.00	\$17,400.00
Permits	\$3,550.00	\$3,550.00
Project Management (by engineer)	\$5,000.00	\$5,000.00
Surveying	\$1,500.00	\$1,500.00
<b>Subtotal for Special Services</b>	<b>\$47,950.00</b>	<b>\$47,950.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$20,000.00	\$20,000.00
Bond Reserve Fund	\$50,602.00	\$50,602.00
Financial Advisor	\$25,000.00	\$25,000.00
Fiscal/Legal	\$6,500.00	\$6,500.00
Issuance Costs	\$5,000.00	\$5,000.00
Loan Origination Fee	\$18,522.00	\$18,522.00
<b>Subtotal for Fiscal Services</b>	<b>\$125,624.00</b>	<b>\$125,624.00</b>
<b>Contingency</b>		
Contingency	\$62,626.00	\$62,626.00
<b>Subtotal for Contingency</b>	<b>\$62,626.00</b>	<b>\$62,626.00</b>
<b>Total</b>	<b>\$880,000.00</b>	<b>\$880,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$880,000 TO THE SHADY GROVE SPECIAL UTILITY DISTRICT  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$880,000 SHADY GROVE SPECIAL UTILITY DISTRICT  
IMPROVEMENT REVENUE BONDS,  
PROPOSED SERIES 2020

(20 - )

WHEREAS, the Shady Grove Special Utility District (District), located in Hunt County, has filed an application for financial assistance in the amount of \$880,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 62857; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$880,000 Shady Grove Special Utility District Improvement Revenue Bonds, Proposed Series 2020 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the District has offered a pledge of system net revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;
3. that the District has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the



project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j); and

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the District and filed with the TWDB in accordance with Texas Water Code § 16.053(j).

NOW, THEREFORE, based on these findings, the TWDB resolves as follows:

A commitment is made by the TWDB to the Shady Grove Special Utility District for financial assistance in the amount of \$880,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$880,000 Shady Grove Special Utility District Improvement Revenue Bonds, Proposed Series 2020. This commitment will expire on January 31, 2021.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the District agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;
5. the Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
6. the District, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the District's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC)

in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;

7. the Obligations must contain a provision requiring the District to levy a tax and/or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
8. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the District to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved by the Executive Administrator;
10. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
11. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
12. loan proceeds shall not be used by the District when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. prior to closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;
14. prior to closing, and if not previously provided with the application, the District shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
16. the Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
17. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

#### Conditions Related to Tax-Exempt Status

18. the District's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the District when rendering this opinion;
19. the District's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
20. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
21. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations,

including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:

- a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
22. the Obligations must include a provision requiring the District take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the District will:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings thereunder. The District shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of the Loan, and in order to induce the making of the Loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the

amount described in paragraph (b) above within 30 days after each Computation Date;

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
- 23. the Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
  - 24. the Obligations must provide that the District will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of section 149(b) of the Code;
  - 25. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District’s reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
  - 26. the Obligations must contain a provision that the District will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);
  - 27. the transcript must include evidence that the information reporting requirements of section 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
  - 28. the Obligations must provide that neither the District nor a related party thereto will acquire any of the TWDB’s Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the District by the TWDB;

#### State Revolving Fund Conditions

- 29. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;

30. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
31. the Obligations must include a provision stating that the District shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
32. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the District will adhere to the approved project schedule;
33. the Obligations must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines;

#### Drinking Water State Revolving Fund Conditions

34. the District shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371;
35. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the District has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;
36. prior to the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

### Pledge Conditions for the Loan

37. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
38. if the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations; and
39. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the District certifies that the District is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the District must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

PROVIDED, however, the commitment is subject to the following special conditions:

### Special Conditions:

40. the District must notify the Executive Administrator in writing, thirty (30) days prior to taking any actions to alter its legal status in any manner; and
41. the Obligations must include a provision requiring that the District notify the Executive Administrator in writing prior to any action by it to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

APPROVED and ordered of record this 16<sup>th</sup> day of January, 2020.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Peter M. Lake  
Chairman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Jeff Walker  
Executive Administrator



Water  
Wastewater  
Other

## WATER CONSERVATION REVIEW

Attachment 6

Entity: \_\_\_\_\_

Review date: \_\_\_\_\_

<b>WATER CONSERVATION PLAN DATE:</b>	<b>Approvable</b>	<b>Adopted</b>
--------------------------------------	-------------------	----------------

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

### WATER LOSS AUDIT YEAR:

Total water loss (GPCD): \_\_\_\_\_     
 Total water loss (percent): \_\_\_\_\_     
 Wholesale Water  
 Total no. of connections: \_\_\_\_\_     
 Length of mains (miles): \_\_\_\_\_     
 Connections per mile: \_\_\_\_\_  
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): \_\_\_\_\_

### WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :			NA			NA
If population ≤ 10K, connections/mile ≥ 32 :		NA			NA	
If population > 10K :		NA			NA	

Does the applicant meet Water Loss Threshold requirements?     
 Yes      No      NA

### ADDITIONAL INFORMATION:

### STAFF NOTES AND RECOMMENDATIONS:

## DEFINITIONS

**Adopted** refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

**Apparent loss** refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

**Approvable** refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

**Best Management Practices** are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

**GPCD** means gallons per capita per day.

**Infrastructure Leakage Index (ILI)** is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**Produced water** is the total amount of water purchased or produced by the utility.

**Real loss** comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

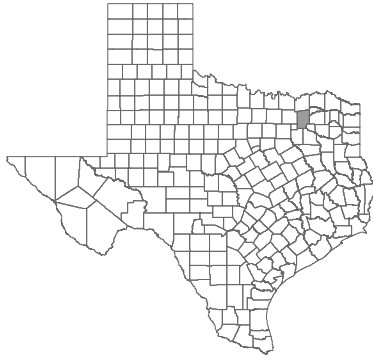
**Residential GPCD** is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

**Total baseline GPCD** is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

**Total water loss** is the sum of the apparent and real water losses.

**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**Water Loss Thresholds** are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.



## Shady Grove SUD Hunt County

